

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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September 21, 2004

Mr. Bob Tusler, Chief Financial Officer
Wallace Thomson Hospital
322 West South Street
Union, South Carolina 29379

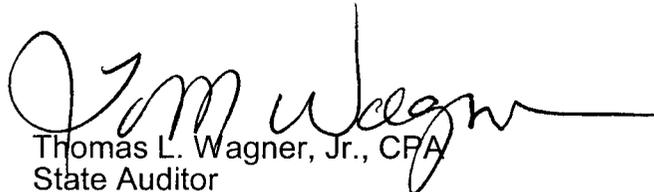
Re: AC# 3-ELS-J1 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Mr. Tusler:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**UNION HOSPITAL DISTRICT
D/B/A ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-ELS-J1**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 23, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Union Hospital District d/b/a Ellen Sagar Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

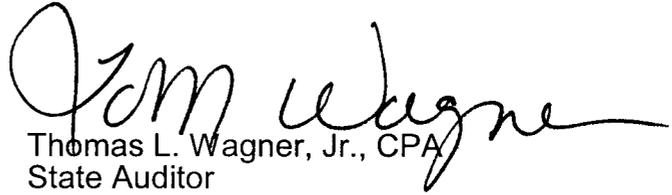
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Union Hospital District d/b/a Ellen Sagar Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report and Summary of Costs and Total Patient Days.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Union Hospital District d/b/a Ellen Sagar Nursing Home dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 23, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-ELS-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$108.78
Adjusted Reimbursement Rate	<u>107.69</u>
Decrease in Reimbursement Rate	\$ <u><u>1.09</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-ELS-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$54.85	\$62.89	
Dietary		10.92	11.21	
Laundry/Housekeeping/Maintenance		<u>9.43</u>	<u>9.67</u>	
Subtotal	\$ <u>5.86</u>	75.20	83.77	\$ 75.20
Administration & Medical Records	\$ <u>-</u>	<u>13.87</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		89.07	<u>\$96.54</u>	87.97
<u>Costs Not Subject to Standards:</u>				
Utilities		2.87		2.87
Special Services		.01		.01
Medical Supplies & Oxygen		4.33		4.33
Taxes and Insurance		.31		.31
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$96.59</u>		95.49
Inflation Factor (3.70%)				3.53
Cost of Capital				6.92
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$107.69</u>

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-ELS-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,135,002	\$ -	\$ -	\$2,135,002
Dietary	425,021	-	-	425,021
Laundry	148,352	-	73,836 (1)	74,516
Housekeeping	233,783	-	-	233,783
Maintenance	48,350	10,535 (1)	-	58,885
Administration & Medical Records	516,555	23,388 (1)	-	539,943
Utilities	102,215	9,436 (1)	-	111,651
Special Services	376	-	-	376
Medical Supplies & Oxygen	168,576	-	-	168,576
Taxes and Insurance	11,604	421 (1)	-	12,025
Legal Fees	-	-	-	-
Cost of Capital	<u>256,140</u>	<u>13,133</u> (1)	<u>-</u>	<u>269,273</u>
Subtotal	4,045,974	56,913	73,836	4,029,051

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-ELS-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	33,710	-	-	33,710
Nonallowable	<u>(44,229)</u>	<u>16,923</u> (1)	<u>-</u>	<u>(27,306)</u>
Total Operating Expenses	<u>\$4,035,455</u>	<u>\$73,836</u>	<u>\$73,836</u>	<u>\$4,035,455</u>
Total Patient Days	<u>38,927</u>	<u>-</u>	<u>-</u>	<u>38,927</u>
Total Beds	<u>108</u>			

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME
 Adjustment Report
 Cost Report Period Ended September 30, 2001
 AC# 3-ELS-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$16,923	
	Maintenance	10,535	
	Administration	23,388	
	Utilities	9,436	
	Taxes and Insurance	421	
	Cost of Capital	13,133	
	Laundry		\$73,836
	To record related party laundry expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$73,836</u>	<u>\$73,836</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

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